

### **286.3-820 Operation of loan production office by bank.**

- (1) For the purpose of this section:
  - (a) "Loan production office" means a bank office located at a place other than the principal or branch office, at which bank employees solicit and originate loans for final approval and disbursement of funds at the principal or branch office; and
  - (b) "Disbursement of funds" is the process by which a bank officer in a principal or branch office issues a negotiable instrument at the principal or branch office.
- (2) A bank, except for a bank that the commissioner may designate by the promulgation of administrative regulations, shall apply to the commissioner for permission to establish a loan production office. The commissioner shall approve the application unless he or she finds that:
  - (a) The proposed operation of the loan production office is not in accordance with this section;
  - (b) The financial standing, moral character, and capability of the bank and its management which proposes to operate a loan production office will jeopardize the financial stability of the bank;
  - (c) There is no reasonable assurance of sufficient volume of business for the proposed loan production office to be successful; and
  - (d) The public convenience and advantage will not be promoted by the opening of the proposed loan production office.
- (3) All extensions of credit originated in a loan production office shall be in accordance with disclosure provisions, usury rates, and other fees and charges authorized by law for banks.
- (4) Loan production offices shall not accept deposits or conduct any other banking functions except those enumerated in paragraph (a) of subsection (1) of this section.
- (5) The commissioner may examine the operations of any loan production office for the purpose of determining that the scope of its activities does not exceed that allowed in this section. Banks operating loan production offices shall maintain copies of records relating to extensions of credit originated in loan production offices at the principal office for examination purposes.
- (6) The application and appeal process set forth in KRS Chapter 13B and the cease and desist powers of the commissioner set forth in KRS 286.3-690 shall apply to loan production offices.

**Effective:** July 15, 2010

**History:** Amended 2010 Ky. Acts ch. 24, sec. 647, effective July 15, 2010. -- Amended 2006 Ky. Acts ch. 183, sec. 13, effective July 12, 2006. -- Amended 1998 Ky. Acts ch. 196, sec. 28, effective July 15, 1998. -- Amended 1996 Ky. Acts ch. 318, sec. 216, effective July 15, 1996. -- Created 1984 Ky. Acts ch. 336, sec. 1, effective July 13, 1984.

**Formerly codified as** KRS 287.820.

**Legislative Research Commission Note** (7/12/2006). This section was amended in

2006 Ky. Acts ch. 183. In that same session, 2006 Ky. Acts ch. 247, sec. 38 required that all sections of KRS Chapters 287, 288, 290, 291, 294, 366, 366A, and 368 be renumbered as sections of a single KRS chapter entitled the "Kentucky Financial Services Code." Therefore, the Statute Reviser, acting under KRS 7.136(1), has changed the number of this section and codified it as a section of KRS Chapter 286. In addition, a KRS reference has been adjusted to conform with the renumbering.